



**Brett Dewey**

**Testimony before the House Small Business Committee Subcommittee on Taxation**

**"The Internet Tax Moratorium: The Potential Negative Impacts on Small Businesses of Allowing Moratorium to Expire"**

**October 3, 2007**

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Chairwoman Velázquez, Ranking Member Chabot, Members of the Committee, good morning. Thank you for inviting me to be here today, it is quite an honor. My name is Brett Dewey and I own a small online company called WickedCoolStuff.com that sells toys, t-shirts and other small gifts that we think are wicked cool. I hope my testimony helps explain the importance of extending the internet tax moratorium.

Unlike a lot of the people you may hear from I'm not part of a formal coalition or an experienced insider. In fact, this is the first time I've done more than vote or write a letter to my Congressman. I got here using frequent flier miles accumulated on my company credit card and I'm sleeping on a friend's sofa. And I just have to say that this room seems a lot smaller on C-SPAN.

WickedCoolStuff.com is a real-live mom and pop operation. My wife Cynthia and I run the company out of a warehouse in the San Fernando Valley region of Los Angeles. Our son, Alex, is almost three and primarily helps out by playing hide-and-seek amongst the shelves and boxes.

We have five full-time permanent employees. As the Christmas holiday approaches we'll probably add eight full-time seasonal staff to help with the rush. Cynthia and I provide health insurance to our full-time employees after they have been with us for several months; we would like to do more but cannot afford to. We try to be good employers and good community members; we believe that makes good business and is the right thing to do. The internet tax moratorium has been in place since before we started WickedCoolStuff.com eight years ago. Letting it expire now would be a new tax on our small business, one we cannot afford.

Just like every other business, ours has had its ups and downs. Right now, like many small online retailers, we're down. We are taking steps to improve sales and I'm optimistic that we're headed for another up, but a new tax right now would be devastating. At the moment we're down looking up, but a new tax could have us down looking out.

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We started WickedCoolStuff.com eight years ago in our spare bedroom. When the boxes took over the living room, den, garage, and were creeping into the kitchen we decided it was time to get a warehouse. Since then we have grown to as many seven full-time permanent employees and sales of over \$1.3 million at our peak down to our current level of five employees and projected sales of less than \$1 million. In our best year Cynthia and I paid ourselves about \$60,000. This year we are unlikely to draw any salary at all, relying on savings and a home equity loan to make ends meet.

I have prepared a chart that is included in my written testimony to help explain the financial realities of a small company like ours, and why letting the internet tax moratorium expire now would be so devastating. These numbers are based on our experience, and while they might not withstand an IRS audit they give you a pretty good idea of what it costs to run a business like ours. The handout is for a hypothetical company called HypotheticalExamples.com, an online retailer that expects to sell \$1 million of small plastic hypothetical examples this year.

Most of the company's income goes to buy wholesale goods, which cost about \$500,000. Another \$200,000 goes to shipping those goods from the wholesalers to the warehouse and then out to customers. \$135,000 is for salaries – none of which goes to the owners. \$17,200 goes for health insurance, \$15,000 for payroll taxes, rent is \$33,500, marketing is another \$34,000, internet and ecommerce hosting is \$19,000, another \$9,950 goes to various local taxes and workmen's compensation, and \$34,500 goes to utilities, book keeping, bank fees and insurance. That leaves just under \$2,000 for the owners of HypotheticalExamples.com to share as a salary, which comes to roughly \$17.50 a week each.

While this may sound like WickedCoolStuff.com, and the numbers are drawn from our experience, it is not our company – we are unlikely to do even this well this year. Cynthia and I are working hard to turn WickedCoolStuff.com around, and we are confident we can. We are actively adding new features, new products, and we are trying new marketing. But letting the internet tax moratorium expire could derail those efforts and with it our company. Our options would be: lay off employees; stop providing the health insurance on which our employee's families rely; or close our doors.

A new tax now would be the equivalent of changing the rules in the middle of a game we're currently losing.

Thank you for again for inviting me here today, I hope that my testimony has been helpful. Typically I would give you all a WickedCoolStuff.com gift certificate or a Star Wars bobble head to show my appreciation for inviting me here, but I'm told that would violate ethics rules. Instead I encourage you all to visit WickedCoolStuff.com and purchase one for yourselves and your staff. We need all the help we can get.

I look forward to your questions.